

Article - Commercial Law

§14-4A-07.

(a) A warrantor of a vehicle protection product sold or offered for sale in the State shall:

- (1) Be insured under a warranty reimbursement insurance policy; or
- (2) Maintain a net worth or stockholders' equity of not less than \$50,000,000.

(b) A warrantor that meets its financial obligation in accordance with subsection (a) of this section is not required to meet any other financial requirement or financial standard.

(c) If a warrantor elects to carry warranty reimbursement insurance under subsection (a)(1) of this section, the warranty reimbursement insurance policy purchased by the warrantor shall provide:

- (1) That the insurer will pay to, or on behalf of, the warrantor all sums that the warrantor is legally obligated to pay a warranty holder under the warrantor's vehicle protection product warranty;

- (2) That, in the event payment due under the terms of the vehicle protection product warranty is not provided by the warrantor within 60 days after proof of loss has been filed by the warranty holder in accordance with the terms of the vehicle protection product warranty, the warranty holder may file a claim for reimbursement directly with the insurer;

- (3) That the insurer shall be deemed to have received payment of the premium if the warranty holder paid the warrantor for the vehicle protection product warranty;

- (4) That the insurer's liability under the warranty reimbursement insurance policy may not be reduced or relieved by a failure of the warrantor, for any reason, to report the issuance of a vehicle protection product warranty to the insurer; and

- (5) That, with regard to cancellation of the warranty reimbursement insurance policy:

- (i) The insurer may not cancel the warranty reimbursement insurance policy until a written notice of cancellation has been mailed or delivered to the insured warrantor;

- (ii) The cancellation of a warranty reimbursement insurance policy may not reduce the insurer's responsibility for vehicle protection products sold before the date of cancellation; and

(iii) In the event an insurer cancels a warranty reimbursement insurance policy, the warrantor shall:

1. Discontinue offering vehicle protection product warranties as of the termination date of the warranty reimbursement insurance policy until a new warranty reimbursement insurance policy becomes effective; and

2. On obtaining a new warranty reimbursement insurance policy, file a copy of the new warranty reimbursement insurance policy with the Division.

(d) If a warrantor elects to meet its financial obligation in accordance with subsection (a)(2) of this section, the warrantor's parent company shall guarantee the obligations of the warrantor for the vehicle protection product warranties issued by the warrantor in the State.